

Foreign Sources of Supply

FY 2007 Report

Annual Report of United States Defense Industrial Base Capabilities
and Acquisitions of Defense Items and Components Outside the United States.



Report Required by Section 812 of the
National Defense Authorization Act for Fiscal Year 2004
(Public Law 108-136),
as amended by Section 841 of the John Warner National Defense Authorization
Act for Fiscal Year 2007 (Public Law 109-364)

Office of the Under Secretary of Defense (Acquisition, Technology & Logistics)
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Executive Summary

Section 812 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136), as amended by section 841 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), directs the Secretary of Defense to establish a program to assess the degree to which the United States is dependent on foreign sources of supply; and the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code. The Department is to use existing data for the assessment program. Not later than February 1 of each year, the Secretary is to submit to the Committee on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year.¹

This report for FY 2007, as required by law, is based on an assessment of DoD prime contracts valued at over \$25,000 for defense items and components exclusively. Other Department of Defense (DoD) reports to Congress provide information on total DoD purchases from foreign entities,² and total DoD purchases of supplies manufactured outside the United States.³

The Department procures very few defense items and components from foreign suppliers. In Fiscal Year 2007, the Department awarded contracts to foreign suppliers for defense items and components totaling approximately \$1.57 billion, less than one-half of one percent of all DoD contracts; and only about 1.5% of all DoD contracts for defense items and components.

This report concludes that the Department employs foreign contractors and subcontractors judiciously, and in a manner consistent with national security requirements.

¹ Although Section 812 provides that the report is due February 1, the information needed for the annual report is not available until after that date.

² The Department of Defense Fiscal Year 2007 Report on Purchases from Foreign Entities can be found at http://www.acq.osd.mil/dpap/cpic/cp/docs/DoDfiscalyr2007_purchasefromforeignentities.pdf

³ The Department of Defense Fiscal Year 2007 Report on Purchases of Supplies Manufactured Outside the United States can be found at http://www.acq.osd.mil/dpap/cpic/cp/docs/dodfy2007_purchofsupmanuoutsideus.doc

1. Section 812 Requirements

Section 812 of the National Defense Authorization Act for Fiscal Year 2004, as amended by section 841 of the John Warner National Defense Authorization Act for Fiscal Year 2008, directs the Secretary of Defense to establish a program to assess:

- the degree to which the United States is dependent on foreign sources of supply; and
- the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code.⁴

The Department is to use existing data for the assessment program, and may not require the provision of information from non-Federal entities beyond that currently provided to DoD. The Department, at a minimum, is to use existing information on each prime contract with a value greater than \$25,000 for the procurement of defense items and components.

Not later than February 1 of each year, the Secretary is to submit to the Committee on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year. The report is to include, with respect to the prime contracts described above:

- The total number and value of such contracts awarded by the Department of Defense;
- the total number and value of such contracts awarded on a sole source basis.
- the total number and value of such contracts awarded to foreign contractors, summarized by country;
- the total number and value of such contracts awarded to foreign contractors through competitive procedures, summarized by country; and

The report also is to include:

- the status of the program designed to assess the extent to which the United States is dependent on foreign sources of supply and the capability of the United States to produce military systems necessary to support the national security objectives of section 2501 of title 10, United States Code;
- the status of the Federal Procurement Data System described in section 6(d)(4)(A) of the Office of Federal Procurement Policy Act, or any successor procurement data management systems; and

⁴ Section 2501 states that it is the policy of Congress that the national technology and industrial base be capable of: (1) supplying and equipping the force structure of the armed forces; (2) sustaining production, maintenance, repair, and logistics for military operations; (3) maintaining advanced research and development activities; (4) reconstituting within a reasonable time the capability to develop and produce supplies and equipment; and (5) providing for the development, manufacture, and supply of items and technologies critical to the production and sustainment of advanced military weapon systems.

- other matters as the Secretary considers appropriate.

Section 841 of the John Warner National Defense Authorization Act for Fiscal Year 2007 introduced the requirement for an itemized list of all Buy American Act waivers granted. It also contained new requirements to report on:

- the dollar value of any articles, materials, or supplies purchased that were manufactured outside of the United States;
- the total procurement funds expended on articles, materials, and supplies manufactured inside the United States, and
- the total procurement funds expended on articles, materials, and supplies manufactured outside the United States.

DoD provides information on total procurement of articles, materials, and supplies manufactured outside the United States in a separate report to Congress.⁵

Section 841 of the National Defense Authorization Act for Fiscal Year 2007 also stated that Section 812 does not apply to acquisitions made by an agency, or component thereof, that is an element of the intelligence community. We believe that the purpose of this inapplicability provision was to avoid the possibility of releasing sensitive information in this report. However, all of the information provided in this report is described at the aggregate Department of Defense level. None of the data provides insight into purchases by any Department, agency, or component thereof, within the Department of Defense, and none of the data in this report is sensitive since it does not attribute purchases to any particular component. Therefore the report data includes purchases made by elements of the intelligence community.

2. Status of the Department of Defense Industrial Assessment Program

Department of Defense (DoD) industrial assessment programs are designed to be an integral part of the Department's decisions-making processes because such integration is the cornerstone of a successful industrial strategy. The Department and the Defense Components periodically conduct analyses and assessments to identify and evaluate those industrial and technological capabilities needed to meet current and future defense requirements. The Department and its Components use the results of these analyses and assessments to make informed budget, acquisition, and logistics decisions.

⁵ The Department of Defense Fiscal Year 2007 Report on Purchases of Supplies Manufactured Outside the United States can be found at http://www.acq.osd.mil/dpap/cpic/cp/docs/dodfy2007_purchofsupmanuoutsideus.doc.

Title 10 of the United States Code includes several provisions that influence the Department's industrial assessment program:

- Section 2501 establishes national security objectives concerning the national technology and industrial base.
- Section 2503 requires that the Secretary of Defense establish a national defense program for analysis of the national technology and industrial base.
- Section 2504 requires that the Secretary of Defense submit an annual report to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives, by March 1st of each year. The report is to include:
 - A description of the departmental guidance prepared pursuant to section 2506.
 - A description of the methods and analyses being undertaken to identify and address concerns regarding technological and industrial capabilities of the national technology and industrial base.
 - A description of the assessments prepared pursuant to section 2505 and other analyses used in developing Department budget submissions.
 - Identification of each program designed to sustain specific essential technological and industrial capabilities.
- Section 2505 requires that the Secretary of Defense prepare selected assessments of the capability of the national technology and industrial base to attain the national security objectives set forth in section 2501.
- Section 2506 requires that the Secretary of Defense prescribe departmental guidance necessary to meet the requirements specified in the other sections, above.

The Department has provided an *Annual Industrial Capabilities Report to Congress*⁶ each year since 1997 describing its industrial assessment program.

3. General Discussion on the Use of Foreign Suppliers

The Department is committed to providing the best capability to the warfighter. It wants to promote interoperability with its allies and coalition partners, and take full advantage of the benefits offered by access to the most innovative, efficient, and competitive suppliers—worldwide. It also wants to promote consistency and fairness in dealing with its trading partners while assuring that the U.S. defense industrial base is sufficient to meet its most critical defense needs. Consequently, the Department is willing to use reliable, non-U.S. suppliers—consistent with national security requirements—when such use offers comparative advantages in performance, cost, schedule, or coalition warfighting. For this reason, the Department and many friendly governments have established reciprocal procurement agreements that are the basis

⁶ The 2008 *Annual Industrial Capabilities Report to Congress* is available on the Internet (<http://www.acq.osd.mil/ip>).

for waiving their respective “buy national” laws where possible and put each other’s industries on par as potential suppliers.

The Department is not acquiring military materiel produced overseas to the detriment of national security or the U.S. defense industrial base. Focused analyses have shown that the Department employs a small number of non-U.S. suppliers and that the use of those suppliers does not negatively impact the long-term economic viability of the national technological and industrial base. The record indicates there has been no difference in reliability between the Department’s U.S. and non-U.S. suppliers.

4. Assessment of Foreign Dependency

The Department incorporates foreign items and components into many important systems, and in some cases the Department may be dependent upon foreign suppliers for these items. However, this does not mean the Department suffers from a foreign vulnerability. Foreign dependence usually does not equate to foreign vulnerability. The Department is not vulnerable if it is dependent on reliable foreign suppliers, just as it is not vulnerable when it is dependent on reliable domestic suppliers. Foreign vulnerability would occur only if the Department was dependent upon suppliers from a single or small group of countries that had the capability and political will to halt shipments to DoD in time of need, and when such delivery denial would cause direct and unacceptable impact to operations. In short, for there to be a foreign vulnerability, DoD must be dependent upon the foreign source (no alternative sources available or that could rapidly become available), and there must be a significant, creditable, and unacceptable risk of supply disruption due to political intervention by the host country or countries.

DoD Handbook 5000.60-H, “Assessing Defense Industrial Capabilities” identifies conditions in which reliance on foreign suppliers for specific products may constitute unacceptable foreign vulnerabilities.

- Foreign sources may pose an unacceptable risk when there is a high “market concentration” combined with political or geopolitical vulnerability. For example, a sole source foreign supplier existing only in one physical location and vulnerable to serious political instability may not be available when needed. (Market concentration alone is not sufficient reason to exclude foreign sources; there also must be a credible threat of supply disruption due to political instability. Sheer physical distance from the U.S. is also not by itself a risk which merits foreign source exclusion.)
- Suppliers from politically unfriendly or anti-American foreign countries, as defined by statute or U.S. Government policy, are not used to meet U.S. defense needs.⁷

⁷ Countries categorically excluded from DoD contracts are countries listed as “terrorist countries” by the Secretary of State under 50 USC App. 2405(j)(1)(A) and countries subject to sanctions implemented by the Department of Treasury Office of Foreign Asset Controls (OFAC).

- A U.S. source may be needed for technologies and products that are either classified, offer unique war fighting superiority, or could be used by foreign nations to develop countermeasures. However, the Department has agreements with many allied and friendly nations for safeguarding classified military information. Foreign sources are not automatically excluded on the basis of a need to protect classified or unique technologies or products; this must be determined by individual circumstance.
- Suppliers that can not or will not provide products for military applications for political reasons are not feasible sources.

The Department of Defense is not aware of any foreign vulnerabilities within its supply chains. However, the Department, because of proprietary information and cost reasons and absent a compelling concern, does not have complete visibility into its supplier base. Nevertheless, periodically, the Department conducts focused assessments into its supplier base to ascertain the extent to which the base includes non-U.S. suppliers and the extent to which those suppliers have been reliable participants in important DoD programs. The last such assessment was completed in 2003. In 2008, the Department is conducting a new study to that same end. It is focused on on-going programs producing precision munitions, consumables, and selected high interest force protection programs.

5. Prime Contract Assessment

Section 645 of Division F of the Consolidated Appropriations Act, FY 2004 (Public Law 108-199) requires the head of each Federal agency to submit a report to Congress on the amount of acquisitions made by the agency from entities that manufacture the articles, materials, or supplies outside of the United States in that fiscal year. The report includes the dollar value of any articles, materials, or supplies purchased that were manufactured outside the United States; and a summary of the total procurement funds spent on goods manufactured in the United States versus funds spent on goods manufactured outside the United States.

The information used for that report is based on Federal Procurement Data System – Next Generation (FPDS-NG) data compiled and distributed by the Defense Manpower Data Center. The 2007 report, titled *Department of Defense Fiscal Year 2007 Purchases of Supplies Manufactured Outside the United States*, was submitted to Congress in July 2008.

The “Prime Contract Assessment” described in this report section addresses a subset of the information provided in that report to Congress. As specified in section 812 of the National Defense Authorization Act for Fiscal Year 2004, this “Prime Contract Assessment” report:

- Includes only prime contracts valued at over \$25,000 dollars.⁸
- Includes only prime contracts for *defense items and components* as categorized by Defense Claimant Program (DCP) codes summarized in the table below. It does not include contracts for other DCP codes, such as for subsistence, fuel, construction services, and other miscellaneous items.

DEFENSE CLAIMANT PROGRAM (DCP) CODES	
A1A	Airframes and related assemblies and spares
A1B	Aircraft engines and related spares and spare parts
A1C	Other aircraft equipment and supplies
A2	Missile and space systems
A3	Ships
A4A	Combat vehicles
A4B	Non-combat vehicles
A5	Weapons
A6	Ammunition
A7	Electronics and communication equipment

This report is based on Fiscal Year 2007 contract data, which became available in June 2008.

The three tables on the following pages summarize the most current DoD information on prime contracts awarded to foreign entities. The data included in the tables does not indicate significant DoD use of foreign contractors.

The first table is a “Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2007).” It lists, by DCP, the number and value of competitive contracts awarded to both U.S. and foreign suppliers, the number and value of non-competitive contracts awarded to U.S. and foreign suppliers, and the total number and value of all contracts awarded to U.S. and foreign suppliers. In total, the Department awarded 35,250 competitive contracts to U.S. suppliers worth a total of \$33.3 billion in Fiscal Year 2007. During that same period, it awarded a total of 708 competitive contracts to foreign suppliers (1.97%) worth a total of \$563 million (1.66%). The Department awarded 23,516 non-competitive contracts worth \$71 billion to U.S. suppliers and 571 non-competitive contracts (2.37%) worth \$1 billion to foreign suppliers (1.40%). In all, the Department awarded a total of \$104.3 billion in defense articles and components contracts to U.S. suppliers and \$1.57 billion to foreign suppliers (1.48%).

⁸ Foreign Military Sales contracts are included within the data as they are DoD prime contracts. However, they constitute a small percentage of the total DoD prime contracts captured.

The second table is a percentage “Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2007).” It lists, by DCP, the percentage of the number and value of competitive, non-competitive, and all DoD prime contracts awarded to foreign entities. For example, for DCP A4B (combat vehicles): (1) 91.6% (96.7% by value) of DoD competitive contracts went to U.S. sources and 8.4% (3.3% by value) went to foreign suppliers, (2) 97.1% (97.1% by value) of DoD non-competitive went to U.S. sources and 2.9% (2.9% by value) went to foreign suppliers, and (3) 93.6% (97.0% by value) of all DoD contracts went to U.S. sources and 6.4% (3.0% by value) went to foreign suppliers.

The third table is a “Summary of All Awards to Foreign Entities (A1A-A7) for Fiscal Year 2007” for defense articles and components. It lists, by country, the number and value of competitive contracts awarded to foreign suppliers, the number and value of non-competitive contracts awarded to foreign suppliers, and the total number and value of all contracts awarded to foreign suppliers. The top five recipient nations (by value) of competitive DoD contracts were, in order, Canada, the UK, Israel, Jordan, and U.S.⁹ The top five recipient nations (by value) of non-competitive DoD contracts were, in order, the UK, Canada, Germany, Norway, and U.S. The top five recipient nations (by value) of all DoD contracts were, in order, Canada, the UK, Germany, Norway, and U.S.

⁹ Prime contracts awarded to foreign-owned firms located in the United States that are not incorporated in the United States.

Summary of all DoD Contracts for Defense Items and Components Awarded -- Fiscal Year 2007						
DCP (1)	# of Competitive Contracts	Value of Competitive Contracts (\$M)	# of Non-Competitive Contracts	Value of Non-Competitive Contracts (\$M)	Total # of Contracts	Total Value of Contracts (\$M)
A1A Airframes						
U.S.	4,604	\$ 3,797,874,888	5,703	\$ 24,589,069,788	10,307	\$ 28,386,944,676
Foreign	122	\$ 70,234,459	96	\$ 19,581,746	218	\$ 89,816,205
Total	4,726	\$ 3,868,109,347	5,799	\$ 24,608,651,534	10,525	\$ 28,476,760,881
A1B Aircraft Engines						
U.S.	2,070	\$ 1,464,337,368	2,216	\$ 3,740,472,758		\$ 5,204,810,126
Foreign	74	\$ 24,584,391	85	\$ 65,323,709		\$ 89,908,100
Total	2,144	\$ 1,488,921,759	2,301	\$ 3,805,796,467	4,445	\$ 5,294,718,226
A1C Other Aircraft						
U.S.	3,316	\$ 2,051,922,127	2,711	\$ 3,543,531,778	6,027	\$ 5,595,453,905
Foreign	41	\$ 49,320,925	47	\$ 91,316,094	88	\$ 140,637,020
Total	3,357	\$ 2,101,243,052	2,758	\$ 3,634,847,872	6,115	\$ 5,736,090,924
A2 Missile & Space						
U.S.	838	\$ 3,030,737,028	1,131	\$ 6,815,715,644	1,969	\$ 9,846,452,671
Foreign	10	\$ 4,723,586	25	\$ 1,298,090	35	\$ 6,021,676
Total	848	\$ 3,035,460,614	1,156	\$ 6,817,013,733	2,004	\$ 9,852,474,347
A3 Ships						
U.S.	3,235	\$ 1,853,123,173	3,404	\$ 8,463,488,410	6,639	\$ 10,316,611,583
Foreign	43	\$ 2,860,170	37	\$ 19,514,537	80	\$ 22,374,707
Total	3,278	\$ 1,855,983,343	3,441	\$ 8,483,002,947	6,719	\$ 10,338,986,290
A4A Combat Vehicles						
U.S.	3,150	\$ 4,652,678,186	1,253	\$ 6,792,118,802	4,403	\$ 11,444,796,988
Foreign	60	\$ 40,124,767	77	\$ 104,108,473	137	\$ 144,233,241
Total	3,210	\$ 4,692,802,954	1,330	\$ 6,896,227,275	4,540	\$ 11,589,030,229
A4B Non-combat Vehicles						
U.S.	1,319	\$ 3,123,959,029	833	\$ 5,602,242,411	2,152	\$ 8,726,201,440
Foreign	121	\$ 107,037,663	25	\$ 165,003,033	146	\$ 272,040,696
Total	1,440	\$ 3,230,996,692	858	\$ 5,767,245,444	2,298	\$ 8,998,242,136
A5 Weapons						
U.S.	1,429	\$ 1,645,748,281	907	\$ 1,694,321,661	2,336	\$ 3,340,069,942
Foreign	32	\$ 19,842,285	51	\$ 293,636,432	83	\$ 313,478,717
Total	1,461	\$ 1,665,590,565	958	\$ 1,987,958,093	2,419	\$ 3,653,548,658
A6 Ammunition						
U.S.	838	\$ 2,483,217,615	227	\$ 1,171,408,786	1,065	\$ 3,654,626,401
Foreign	37	\$ 121,942,400	43	\$ 215,141,701	80	\$ 337,084,101
Total	875	\$ 2,605,160,015	270	\$ 1,386,550,487	1,145	\$ 3,991,710,503
A7 Electronics						
U.S.	14,451	\$ 9,154,244,558	5,131	\$ 8,582,911,648	19,582	\$ 17,737,156,206
Foreign	168	\$ 122,399,782	85	\$ 32,481,638	253	\$ 154,881,420
Total	14,619	\$ 9,276,644,340	5,216	\$ 8,615,393,286	19,835	\$ 17,892,037,626
U.S.	35,250	\$ 33,257,842,252	23,516	\$ 70,995,281,684	54,480	\$ 104,253,123,937
Foreign	708	\$ 563,070,430	571	\$ 1,007,405,453	1,120	\$ 1,570,475,883
Totals	35,958	\$ 33,820,912,682	24,087	\$ 72,002,687,138	60,045	\$ 105,823,599,820

(1) DCP is the Defense Claimant Program. A list of the programs is attached. The programs were limited to those that particularly fit the description of defense items and components.

Summary of all DoD Contracts for Defense Items and Components Awarded -- Fiscal Year 2007						
DCP (1)	Percentage of Competitive Contracts (%)	% by Value of Competitive Contracts	Percentage of Non-Competitive Contracts (%)	% by Value of Non-Competitive Contracts	Total Percentage of Contracts	Total Percentage by Value of Contracts (%)
A1A Airframes						
U.S.	97.4%	98.2%	98.3%	99.9%	97.9%	99.7%
Foreign	2.6%	1.8%	1.7%	0.1%	2.1%	0.3%
A1B Aircraft Engines						
U.S.	96.5%	98.3%	96.3%	98.3%	96.4%	98.3%
Foreign	3.5%	1.7%	3.7%	1.7%	3.6%	1.7%
A1C Other Aircraft						
U.S.	98.8%	97.7%	98.3%	97.5%	98.6%	97.5%
Foreign	1.2%	2.3%	1.7%	2.5%	1.4%	2.5%
A2 Missile & Space						
U.S.	98.8%	99.8%	97.8%	99.98%	98.3%	99.9%
Foreign	1.2%	0.2%	2.2%	0.02%	1.7%	0.1%
A3 Ships						
U.S.	98.7%	99.8%	98.9%	99.8%	98.8%	99.8%
Foreign	1.3%	0.2%	1.1%	0.2%	1.2%	0.2%
A4A Combat Vehicles						
U.S.	98.1%	99.1%	94.2%	98.5%	97.0%	98.8%
Foreign	1.9%	0.9%	5.8%	1.5%	3.0%	1.2%
A4B Non-combat Vehicles						
U.S.	91.6%	96.7%	97.1%	97.1%	93.6%	97.0%
Foreign	8.4%	3.3%	2.9%	2.9%	6.4%	3.0%
A5 Weapons						
U.S.	97.8%	98.8%	94.7%	85.2%	96.6%	91.4%
Foreign	2.2%	1.2%	5.3%	14.8%	3.4%	8.6%
A6 Ammunition						
U.S.	95.8%	95.3%	84.1%	84.5%	93.0%	91.6%
Foreign	4.2%	4.7%	15.9%	15.5%	7.0%	8.4%
A7 Electronics						
U.S.	98.9%	98.7%	98.4%	99.6%	98.7%	99.1%
Foreign	1.1%	1.3%	1.6%	0.4%	1.3%	0.9%
Totals						
U.S.	98.0%	98.3%	97.6%	98.6%	97.9%	98.5%
Foreign	2.0%	1.7%	2.4%	1.4%	2.1%	1.5%

(1) DCP is the Defense Claimant Program. A list of the programs is attached. The programs were limited to those that particularly fit the description of defense items and components.

Summary - All Awards to Foreign Entities - A1A -- A70 - FY07						
Country	# of Competitive Contracts	Value of Competitive Contracts	# of Non-Competitive Contracts	Value of Non-Competitive Contracts	Total Number of Contracts	Total Value of Contracts
Australia	2	\$ 1,027,138	12	\$ 14,530,729	14	\$ 15,557,867
Bahrain	7	\$ 401,888	0	\$ -	7	\$ 401,888
Belgium	4	\$ 530,551	3	\$ 241,780	7	\$ 772,331
Belize	2	\$ 327,377	0	\$ -	2	\$ 327,377
Canada	287	\$ 246,663,148	214	\$ 248,934,865	501	\$ 495,598,013
Colombia	10	\$ 1,822,424	3	\$ 4,783,909	13	\$ 6,606,333
Comoros	2	\$ 290,080	1	\$ 95,000	3	\$ 385,080
Czech Republic	1	\$ 248,144	0	\$ -	1	\$ 248,144
Denmark	0	\$ -	1	\$ 35,000	1	\$ 35,000
El Salvador	1	\$ 1,095,429	0	\$ -	1	\$ 1,095,429
France	5	\$ 4,530,360	14	\$ 14,191,530	19	\$ 18,721,890
Germany	61	\$ 29,384,164	23	\$ 95,189,831	84	\$ 124,573,995
Iraq	1	\$ 780,860	17	\$ 709,558	18	\$ 1,490,418
Ireland	1	\$ 32,340	0	\$ -	1	\$ 32,340
Israel	23	\$ 55,584,032	21	\$ 14,626,716	44	\$ 70,210,748
Italy	13	\$ 2,792,159	1	\$ 499,380	14	\$ 3,291,539
Japan	47	\$ 10,395,544	1	\$ 614,326	48	\$ 11,009,870
Jordan	7	\$ 52,606,717	0	\$ -	7	\$ 52,606,717
Korea	23	\$ 2,101,563	1	\$ 30,000	24	\$ 2,131,563
Kuwait	8	\$ 362,193	4	\$ 186,267	12	\$ 548,460
Netherlands	2	\$ 556,053	0	\$ -	2	\$ 556,053
New Zealand	3	\$ 579,783	1	\$ 47,880	4	\$ 627,663
Norway	3	\$ 29,454,285	12	\$ 87,008,860	15	\$ 116,463,145
Portugal	1	\$ 29,493	0	\$ -	1	\$ 29,493
Qatar	2	\$ 121,239	0	\$ -	2	\$ 121,239
Romania	5	\$ 13,873,828	0	\$ -	5	\$ 13,873,828
Saudi Arabia	0	\$ -	3	\$ 6,213,916	3	\$ 6,213,916
Singapore	11	\$ 932,652	5	\$ 274,554	16	\$ 1,207,206
South Africa	1	\$ 37,851	0	\$ -	1	\$ 37,851
Sweden	0	\$ -	11	\$ 40,588,579	11	\$ 40,588,579
Switzerland	0	\$ -	1	\$ 136,133	1	\$ 136,133
Turkey	5	\$ 223,208	3	\$ 165,294	8	\$ 388,502
UAE	7	\$ 10,440,500	2	\$ 130,602	9	\$ 10,571,102
United States*	30	\$ 29,491,564	38	\$ 68,771,322	68	\$ 98,262,886
UK	133	\$ 66,353,864	179	\$ 409,399,424	312	\$ 475,753,288
Totals	708	\$ 563,070,430	571	\$ 1,007,405,453	1279	\$1,570,475,883

* Prime contracts awarded to foreign-owned firms located in the United States, that are not incorporated in the United States.

6. Buy American Act Waivers

Section 812(c)(2)(A)(vi) requires an itemized list of waivers granted under the Buy American Act (BAA) for contracts discussed in this report. The capability of The Federal Procurement Data System - Next Generation (FPDS-NG) to capture the information on waivers was implemented in October 2007. However, additional adjustments are required to enable the system to more fully and accurately capture the data. The necessary changes are not scheduled for implementation until later this year.¹⁰ As a result, the data presented represents only what the Department has captured at this time.

Until the change to FPDS-NG, the Department had no central repository for waivers of the BAA. With the change that became effective in October 2007, DoD can now identify the number of waivers of the BAA that have been granted and under which exception the waivers have been made. However, since the change was not in effect for the entire fiscal year and additional adjustments are required as explained above, the data is somewhat limited and in general, understated. As noted above, we expect future reports to be more accurate and complete.

FPDS-NG data reflect that 14,159 waivers of the BAA were granted for articles manufactured outside the U.S. during Fiscal Year 2007. The value of these waivers total approximately \$5.8 billion. These exceptions included articles manufactured outside the U.S. for: (1) Use outside the U.S.; (2) Resale; (3) Trade Agreements; (4) Commercial IT; (5) Public Interest Determinations; (6) Domestic Non-Availability Determinations; (7) Unreasonable Cost of Domestic End Product; and (8) Qualifying Countries.

The following table provides a detailed breakout of the actions and dollars by waiver category and an explanation of the authority for each of the waiver categories.

Waivers of the Buy American Act for DoD Purchases of Manufactured Articles in FY07		
Waiver Authority	Number	Dollars
Use outside the U.S.	7,955	\$ 4,705,505,522
Resale	1,691	\$ 40,988,866
WTO GPA and Free Trade Agreements	793	\$ 152,984,135
Commercial IT	1,413	\$ 262,991,820
Public Interest Determination	98	\$ 41,108,293
Domestic Non-availability Determinations	741	\$ 279,678,706
Unreasonable Cost	65	\$ 4,174,314
Qualifying Countries	1,403	\$ 305,855,327
Totals	14,159	\$ 5,793,286,983

¹⁰ The Department of Defense Fiscal Year 2007 Report on Purchases of Supplies Manufactured Outside the United States can be found at http://www.acq.osd.mil/dpap/cpic/cp/docs/dodfy2007_purchsupmanuoutsideus.doc.

7. Status of the Federal Procurement Data System

The Federal Procurement Data System - Next Generation (FPDS-NG) replaced the former Federal Procurement Data System (FPDS) on October 1, 2003. The General Services Administration (GSA) manages FPDS-NG within the Federal eGov Integrated Acquisition Environment (IAE) initiative. FPDS-NG is the central repository of statistical information on Federal contracting, and all federal agencies subject to the Federal Acquisition Regulation (FAR) are required to submit data about their procurement actions to FPDS-NG. The system uses state-of-the-art technology to streamline the reporting process and allow direct machine-to-machine reporting. This feature provided agencies with the opportunity to shut down legacy data collection systems.

The Department of Defense and GSA worked closely together to ensure DoD data from Fiscal Years 1997 through 2006 were migrated from DoD's legacy data collection systems to FPDS-NG (earlier Fiscal Years' data was migrated directly from FPDS). This provided DoD with a baseline of historic data in the new system from which much of its future reporting would flow. Beginning with Fiscal Year 2006, DoD reporting sites started their transition to take advantage of reporting directly from its contract writing systems to FPDS-NG.

As of October 1, 2006, DoD retired use of its legacy contract reporting format. Since that time, DoD has focused attention on completing the migration of all its contracting offices to FPDS-NG and ensuring they can accurately report required information, as well as implementing data management strategies that support and take advantage of the new reporting environment. DoD also continues its close work with GSA in order to help further develop and mature the FPDS-NG reporting environment into a highly flexible, robust reporting tool.

8. Conclusions

The information presented in this report indicates that the Department employs foreign contractors and subcontractors judiciously, and in a manner consistent with national security requirements. The Department procures very few defense items and components from foreign suppliers. In Fiscal Year 2007, DoD procurement actions totaled \$316 billion. Of that amount, DoD contracts for defense items and components totaled approximately \$105 billion. Of that \$105 billion, the Department awarded contracts to foreign suppliers for defense items and components totaling approximately \$1.5 billion. Therefore, DoD contracts for defense items and components awarded to foreign suppliers represented less than one-half of one percent of all DoD contracts; and only about 1.48 percent of DoD contracts for defense items and components.